

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

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R 021500Z SEP 76

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 1680

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY THE HAGUE

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: ENRG LE

SUBJECT: OIL COMPANIES SEEK TO CUT BACK OPERATIONS IN LEBANON

REF: (A) BEIRUT 6789, (B) CAIRO 11304

1. SUMMARY: MAJOR CONTROVERSY BEGUN BY MOBIL AND ESSO DECISION TO CLOSE MARKETING OPERATIONS IN LEBANON. OTHER FOREIGN OIL INTERESTS MAY FOLLOW. TAPLINE QUIETLY CLOSING BEIRUT OFFICE AND MOVING TO SIDON. LOCAL COMPANIES REDUCING STAFFS. WAR HAS RESULTED IN MAJOR DISRUPTIONS AND LOSSES, BUT MAJORS ALSO HAVE UNRESOLVED NATIONALIZATION PROBLEMS WITH LEBANESE GOVERNMENT (GOL), AND ALL COMPANIES SUFFERING UNDER GOL PRICE CONTROLS. LABOR UNION HAS
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VEHEMENTLY PROTESTED MOBIL AND ESSO DECISIONS, AND PLANS

TAKE OVER AND CONTINUE MOBIL AND ESSO OPERATIONS. GOL
SEEKING VIABLE SOLUTION. END SUMMARY.

2. TWO AMERICAN OIL DISTRIBUTING COMPANIES, MOBIL OIL
AND ESSO, ANNOUNCED DECISIONS DISCONTINUE BUSINESS
OPERATIONS IN LEBANON AS OF AUGUST 31, 1976. MOBIL
ANNOUNCEMENT APPEARED IN BEIRUT PRESS AUGUST 20-22,
FOLLOWED BY SIMILAR ESSO NOTICE. SHELL CO. (DUTCH/UK
INTERESTS) AND TOTAL LIBAN (CFP) (FRENCH) MIGHT EITHER
FOLLOW SUIT OR MAKE RADICAL CHANGES IN THEIR
ORGANIZATIONS HERE.

3. TAPLINE (TRANS-ARABIAN PIPELINE COMPANY, AMERICAN)
WILL MOVE ALL OPERATIONS TO SIDON EXCEPT FOR SMALL
GOVERNMENT RELAOION STAFF THAT WILL REMAIN IN BEIRUT.
IT HAS ALREADY IMPLEMENTED OPTIONAL TERMINATION PLAN
GIVING EMPLOYEES ADDITIONAL COMPENSATION BETWEEN 120
AND 165 PERCENT OVER LEGAL TERMINATION INDEMNITIES.
FURTHERMORE, PLAN WILL PAY TOTAL COMPENSATION TO
EMPLOYEES IN TRANSFERABLE US DOLLARS AT FAVORABLE RATE
OF LL. 2.70 PER DOLLAR (PRESENT RATE US \$ 1.00 EQUAL
LL. 3.25 - 3.30), PROVIDING ADDITIONAL BENEFIT OF ABOUT
TWENTY PERCENT. WE UNDERSTAND THAT ABOUT EIGHTY TAPLINE
EMPLOYEES ACCEPTED PLAN. APPARENTLY THIS ARRANGEMENT
EXCEEDS BY FAR COMPENSATION OFFERED BY OTHER OIL COMPANIES.

4. LABOR AFFECTED. LABOR FORCES IN OIL COMPANIES AS
FOLLOWS: (MOBIL 240 (130 EMPLOYEES AND 110 LABORERS);
ESSO 150 (85, 65); TAPLINE 220 (100, 120); TOTAL (CFP)
170; SHELL 220; CALTEX 100, INDEPENDENTS: 150.
REFINERIES: ABOUT 1,000 EMPLOYEES AND LABORERS. LOCAL
INDEPENDENT OIL COMPANIES HAVE ALSO TAKEN STEPS TO
REDUCE NUMBERS OF EMPLOYEES. HYPKO ANNOUNCED IN PRESS
AUGUST 27 THAT WT WAS LAYING OFF ITS STAFF. HOWEVER
OTHER LOCAL INDEPENDENT COMPANIES INCLUDING CHAMMAS,
MEDCO, EZZEDINE, GHALIEH, AND MESKAWI, WITH TOTAL OF
ABOUT 150 EMPLOYEES AND LABORERS WILL NOT TERMINATE
OPERATIONS.

5. FACTORS BEHIND COMPANY TERMINATION DECISIONS. MOBIL
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AND ESSO INCURRED HEAVY LOSSES FROM SHELLING AT BULK
TERMINALS AT DORA AND MEDRECO FACILITIES, SIDON (REFTEL A).
CONTINUED HOSTILITIES HAVE LED TO FORCED ABSENCES LARGE
NUMBER EMPLOYEES, DIFFICULTY SECURE IMPORTS, TAKEOVERS OF
MARKETING AND DISTRIBUTING BY LOCAL ADMINISTRATIONS IN
BOTH EASTERN AND WESTERN AREAS, FREQUENT STATE OF
EMERGENCY, AND DISRUPTION OF COMMUNICATIONS INCLUDING
CLOSURE OF BEIRUT INTERNATIONAL AIRPORT. OIL COMPANIES

ALSO FACED OTHER SERIOUS PROBLEMS: REFINERY
REQUISITIONING BY GOL, PRICE CONTROLS FIXING MARKETERS
OVERHEADS AND MARGINS, AND INFLATION IN EXPENSES,
PARTICULARLY LABOR COST, RESULTED IN CURRENT OPERATING
LOSSES.

6. REFINERIES. TRIPOLI REFINERY NOT OPERATING BECAUSE
LACKS CRUDE OIL. IRAQ/GOL SUPPLY CONTRACT EXPIRED
MARCH 1, 1976. MEDRECO REFINERY NOT WORKING. SHELLING
JULY 6 DAMAGED TANKS, PIPELINE AND OTHER FACILITIES.
EXPECTED RESUME OPERATIONS BY OCTOBER PROVIDED CONTINUES
RECEIVING OIL REQUISITIONED FROM TAPLINE BY GOL.
REFINED PRODUCTS IN STORAGE AT BOTH REFINERIES WILL SOON BE
EXHAUSTED.

7. LEBANESE LABOR PROTESTS. FOLLOWING UNEXPECTED PRESS
ANNOUNCEMENTS BY MOBIL AND ESSO, GEORGE SACRE, PRESIDENT
OF MOBIL OIL EMPLOYEES' SYNDICATE AND PRESIDENT OF
FEDERATION OF PETROLEUM TRADE UNIONS IN LEBANON, SENT
TELEXES TO BOARD OF DIRECTORS OF MOBIL OIL NEW YORK, TO
INTERNATIONAL CONFEDERATION FREE TRADE UNION,
BRUSSELS, AND TO OTHER FEDERATIONS AND UNIONS IN USA,
ATTEMPTING TO PRESSURE TWO COMPANIES TO CANCEL DECISION.
SACRE ALSO ADDRESSED LETTER TO GHASSAN TUENI, MINISTER OF
LABOR AND SOCIAL AFFAIRS AND MINISTER FOR OIL. LETTER
SAID: A) MOBIL ACTION UNETHICAL AND DONE WITHOUT ADEQUATE
CONSULTATION WITH UNION OR LEGAL NOTIFICATION OF
TERMINATION TO COMPANY MEMBERS; B) MOBIL AS OLDEST
PETROLEUM COMPANY ESTABLISHED IN LEBANON (SINCE 1919)
HAD AVERAGE LENGTH OF SERVICE OF EMPLOYMENT ABOUT 25
YEARS AND MANY 35-40; C) MOBIL SHOULD HAVE DEFERRED
DECISION SINCE LOSSES INCURRED IN 1976 ARE TRIFLING
COMPARED TO TREMENDOUS GAINS EARNED OVER MORE THAN HALF
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A CENTURY, AS COULD BE SEEN FROM COMPANY'S INCOME TAX
RETURNS; AND D) DECISION PUTS 390 PERSONS OUT OF WORK,
AND WILL BE FOLLOWED BY SIMILAR DECISIONS FROM OTHER
PETROLEUM COMPANIES WHICH WILL BRING NUMBER LAID OFF TO
OVER 1,000.

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8. FEDERATION WAS DETERMINED TO IGNORE DECISION OF MOBIL AND ESSO
AND ASKED ALL STAFF TO CONTINUE REPORTING TO THEIR USUAL
PLACES OF WORK AFTER AUGUST 31, UNTIL COMPANIES' DECISIONS
CONSIDERED IN PROPER CHANNELS, I.E. DIRECT
NEGOTIATIONS BETWEEN EACH COMPANY'S MANAGEMENT AND UNION.
IN THE MEANTIME, UNION ITSELF WOULD CARRY ON NORMAL
OPERATION BY LIFTING AVAILABLE PRODUCTS FROM REFINERIES
AND DISTRIBUTING ANY MOBIL OR ESSO ALLOCATION RECEIVED
THROUGH ARAB LEAGUE DONATION PLAN.

9. GOL REACTION. FROM MOBIL WE UNDERSTAND TUENI
ADDRESSED TELEX TO BOARD OF DIRECTORS OF MOBIL LEBANON
IN NEW YORK, REQUESTING DEFERRAL OOF DECISION TO
OCTOBER 15, AFTER PRESIDENT-ELECT SARKIS ASSUMES
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OFFICE, AND TO GIVE HIM TIME TO REVIEW WITH OIL
COMPANIES VARIOUS ASPECTS OF THEIR OPERATIONS IN
LEBANON. MINISTER OF INTERIOR CHAMOUN IS SAID TO HAVE
ADDRESSED MEMORANDUM TO LEBANESE AMBASSADOR IN WASHINGTON

REQUESTING HIM SPARE NO EFFORT TO HAVE MOBIL AND ESSO PUT OFF IMPLEMENTATION OF DECISIONS.

10. ON AUGUST 30 TUENI RECEIVED TWO NEGATIVE ANSWERS FROM COMPANIES. MOBIL NEW YORK REGRETTED HAVING TO MAINTAIN DECISION, GIVING REASONS BEHIND TERMINATION. COMPANY QUOTED ITS REPLY TO UNION, AND STRESSED READINESS TO PAY COMPENSATION ACCORDING TO COMPANY'S PLAN. BOARD DIRECTORS NEW YORK STATED MOBIL WOULD CONSIDER OPERATING IN LEBANON WHEN SITUATION WOULD PERMIT. ON AUGUST 31, TUENI MET WITH RANKING MINISTRY OF LABOR OFFICIALS, PRESIDENT BAR ASSOCIATION AND MILITARY PROSECUTOR.

11. ON SEPTEMBER 1, TUENI ANNOUNCED THAT, AS OF THAT DATE, OPERATIONS OF MOBIL AND ESSO WERE BEING CONTINUED BY A PROVISIONAL GOL/UNION COMMITTEE. COMMITTEE COMPOSED OF A REPRESENTATIVE OF MINISTRY OF INDUSTRY AND OIL, A REPRESENTATIVE OF MINISTRY OF LABOR, A JUDGE, AND THE FEDERATION PRESIDENT. PRESIDENT OF LEBANESE BAR ASSOCIATION WILL SERVE AS LEGAL COUNSEL. WE UNDERSTAND GOL MAY ALSO INVITE COMPANY-LEVEL UNION BRANCHES TO BE REPRESENTED ON COMMITTEE AS WELL. TUENI SAID GOL AIMS TO PRESERVE LIBERAL ECONOMIC PRINCIPLES, PROTECT EMPLOYEE INTERESTS AND SAFEGUARD RIGHTS OF OIL COMPANIES. ARRANGEMENTS, TUENI SAID, ARE INTERIM MEASURE UNTIL NEW (SARKIS) GOVERNMENT CAN ADDRESS PROBLEM AFTER SEPTEMBER 23. COMMITTEE WILL SUPERVISE OPERATION OF A "NEW MOBIL ADMINISTRATION", WHICH WILL ADMINISTER MOBIL FACILITIES AND SIMILAR ENTITY TO ADMINISTER ESSO. TUENI, HOWEVER, ALSO STATED HE WOULD WELCOME CONTINUED NEGOTIATIONS WITH COMPANIES.

12. COMMENT: REAL OBJECT OF UNION MAY BE TO ACQUIRE COMPENSATION ALONG LINES OF TAPLINE PLAN (PARA 3 ABOVE). UNION MIGHT EXERT ADDITIONAL POLITICAL AND PUBLIC OPINION PRESSURES. GOL INITIATIVE MIGHT RESULT IN JOINT GOL OIL COMPANIES UNION VENTURE, OR A GOVERNMENT LIMITED OFFICIAL USE

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PETROLEUM ADMINISTRATION SIMILAR TO PETROMIN IN SAUDI ARABIA. FOR NOW, IT CLEAR THAT GOL CONTINUES TO SEEK NEGOTIATED SETTLEMENT AGREEABLE TO ALL CONCERNED PARTIES.

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